

Message Text

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TO SECSTATE WASHDC 3661

INFO AMEMBASSY BELGRADE

UNCLAS ZAGREB 253

E.O. 11652: N/A

TAGS: BENC YO

SUBJECT: YUGOSLAV OIL PIPELINE - BIDDING PROCEDURES STATUS REPORT

REF: A) BELGRADE 1673, B) ZAGREB 239 NOTAL, C) STATE 78943

1. FOLLOWING PREQUALIFICATION ANNOUNCEMENT (REFTEL A) FOR SEVERAL SEGMENTS OF YUGOSLAV OIL PIPELINE (SERBO-CROATIAN: "JUGOSLAVENSKI NAFTOVOD" WSJN) - CONGEN OFFICER REQUESTED MEETINGS WITH APPROPRIATE JN OFFICIALS TO REVIEW PROCEDURES AND TO BE CERTAIN USG INFORMED ON TIMELY BASIS AS BIDS FOR FUTURE SEGMENTS ARE ANNOUNCED. FOLLOWING ARE HIGHLIGHTS OF THESE MEETINGS WHICH MAY BE OF INTEREST TO PROSPECTIVE BIDDERS AND EQUIPMENT SUPPLIERS AS WELL AS USDOC:

2. PROJECT SCOPE: CURRENT PRICE TAG ON "PHASE ONE" OF PROJECT IS DOLLARS 404 MILLION. "PHASE ONE" UNDERSTOOD TO INCLUDE BASIC PIPELINE NETWORK AND SUPPORTING INFRASTRUCTURE OF STORAGE TANKS, MARITIME TERMINAL AND PUMPING STATIONS. "PHASE TWO" INVOLVES EXPANSION OF CARRYING CAPACITY. TARGET DATE FOR COMPLETION "PHSE ONE" IN MAY 31, 1978, A DEADLINE WHICH JN OFFICIALS SAY THEY FULLY INTEND TO MEET. IF NOT MET, SUBSTANTIAL FINANCIAL PENALTIES ACCRUE.

3. SEGMENTATION: JN OFFICIALS STATE THERE WILL BE APPROXIMATELY 10 MORE PREQUALIFICATION ANNOUNCEMENTS. THEY WERE VAGUE ABOUT TIMING OF ANNOUNCEMENTS, SAYING THIS DEPENDED UPON THE SPEED

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WITH WHICH ENGINEERING CONSULTING FIRM (OTP) TURNED OUT

SPECIFICATIONS, EQUIPMENT LISTS AND OTHER SUPPORTING DOCUMENTATION. CONGEN OFFICER GAINED IMPRESSION THAT TARGET DATE FOR WRAPPING UP PREQUALIFICATION AND BIDDING IS WITHIN 60-90 DAYS. AGAIN, WHILE A FINAL DECISION HAS YET TO BE MADE, JN APPARENTLY INCLINED TOWARD SEPARATING MAJOR EQUIPMENT PROCUREMENT FROM CONSTRUCTION WORK. ONE OF ADVANTAGES THEY SEE IN THIS PROCEDURE IS CHANCE TO GET DIRECT SUPPLIER CREDITS AND, THUS, TO STRETCH AVAILABLE FINANCING TO COVER INFLATION AND INEVITABLE COST OVERRUNS.

4. PUBLICITY: JN OFFICIALS STATE PUBLICIZING OF BIDDING AND PROCUREMENT OPPORTUNITIES ARE IN LINE WITH IBRD METHODOLOGY AND HAVE BEEN APPROVED BY THAT ORGANIZATION. ANNOUNCEMENTS ARE PRINTED IN THE "FINANCIAL TIMES" OF LONDON AND "DIE WELT" OF HAMBURG AS WELL AS IN YUGOSLAV OFFICIAL GAZETTE. SIMULTANEOUSLY, ALL BELGRADE EMBASSIES OF IBRD MEMBER COUNTRIES ARE NOTIFIED BY CIRCULAR NOTE. JN CLAIMS HIGH COST OF SPACE PRECLUDES DISPLAY ADVERTISEMENTS IN ANY U.S. NEWSPAPER.

5. FOREIGN SOURCE PROCUREMENT: BIDS ARE TO BE EVALUATED BY TRADITIONAL CRITERIA OF PRICE, FINANCING TERMS AND QUALITY. TO THE EXTENT PERMITTED BY IBRD GUIDELINES, JN WANTS TO RESTRICT IMPORTS TO EQUIPMENT AND SUPPLIES NOT MANUFACTURED IN YUGOSLAVIA. JN ESTIMATES DOLLARS 150 MILLION OF EQUIPMENT WILL HAVE TO BE PROCURED BY COMPETITIVE BIDDING BUT GAVE NO BREAKDOWN OF DOMESTIC AND FOREIGN SHARES.

6. BIDDING SCHEDULE: JN EXPECTS TO ALLOW MINIMUM 21 DAYS FOR PREQUALIFICATION RESPONSES AND, AFTER INTERVAL OF APPROXIMATELY 30 DAYS, AN ADDITIONAL 30-45 DAYS FOR RESPONSE TO TENDER ITSELF.

7. PREQUALIFICATION QUESTIONNAIRE: JN REQUIRES PREQUALIFICATION QUESTIONNAIRE TO BE PICKED UP PERSONALLY FROM ZAGREB OFFICE (REFTEL C). THEY WILL NOT MAIL, EITHER TO FOREIGN OR TO YUGOSLAV ORGANIZATIONS. HOWEVER, CONGEN REPRESENTATIVE IS ACCEPTABLE AS INTERMEDIARY, AND ON BASIS DIRECT TELEX/TELEGRAM OR RELAYED MESSAGE FROM WASHINGTON AGENCIES WE WILL BE HAPPY TO COLLECT AND MAIL QUESTIONNAIRE TO ANY INTERESTED AMERICAN FIRM. IF FEASIBLE (REFTEL B), WE CAN CABLE TEXT. KAISER

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